

Message Text

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PAGE 01 MADRID 05821 292032Z

70

ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 SAM-01 CIAE-00 DODE-00 PM-04

H-02 INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02

SS-15 USIA-06 /070 W

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R 291553Z JUL 76

FM AMEMBASSY MADRID

TO SECSTATE WASHDC 6564

INFO AMEMBASSY TEL AVIV

C O N F I D E N T I A L MADRID 5821

E.O. 11652: GDS

TAGS: ECON, EFIN, SP

SUBJECT: POSSIBLE RESIGNATION OF BANK OF SPAIN GOVERNOR

1. INDEPENDENT DAILY "INFORMACIONES" REPORTED JULY 28 THAT ACCORDING TO "RELIABLE SOURCES" LUIS CORONEL DE PALMA WILL RESIGN AS BANK OF SPAIN GOVERNOR. MENTIONED AS POSSIBLE SUCCESSORS WERE FORMER FINANCE MINISTER BARRERA DE IRIMO AND ENRIQUE FUENTES QUINTANA, RESPECTED PROFESSOR OF ECONOMICS. FUENTES QUINTANA HAS ALSO BEEN MENTIONED AS ONE OF SEVERAL ECONOMISTS WHO WILL CONSTITUTE ECONOMIC ADVISORY-STUDY GROUP FOR PRIME MINISTER OSORIO.

2. ACCORDING TO BANK OF SPAIN DIRECTOR GENERAL FOR INTERNATIONAL AFFAIRS SANCHEZ PEDRENO, WITH WHOM EMBOFF MET JULY 29, IT NOT YET CERTAIN CORONEL DE PALMA WILL REGIGN. CORONEL DE PALMA IS CURRENTLY IN DISFAVOR WITH GOVERNMENT, HE SAID, FOR HAVING MADE PUBLIC STATEMENT DURING PRIVATE VISIT TO TEL AVIV LAST WEEK THAT SPAIN SHOULD ESTABLISH DIPLOMATIC RELATIONS WITH ISRAEL. MENTION OF SUCCESSORS, SANCHEZ PEDRENO CLAIMED, WAS SHEER SPECULATION. CORONEL DE PALMA HAS PERSONALLY GIVEN A SIMILAR EXPLANATION TO THE DCM. HE CLAIMS HE SIMPLY SAID SOMETHING LIKE RE-ESTABLISHMENT OF RELATIONS WOULD BE LOGICAL, AND THAT MANY IN SPAIN FAVOR THIS ACTION. HE SAYS HE HAS BEEN

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PAGE 02 MADRID 05821 292032Z

TOLD THAT ARAB GOVERNMENTS HAVE REACTED NEGATIVELY. AT

THIS POINT, HE ASSUMES HE WILL LEAVE, BUT DOES NOT APPEAR
ABSOLUTELY CERTAIN.

3. COMMENT: GOS HAS DECLARED THAT FOREIGN POLICY INCLUDES
REGULARIZING RELATIONS WITH ALL COUNTRIES, AND FORMER FOREIGN
MINISTER AREILZA STATED PUBLICLY GOS INTENTION TO WORK TOWARD
ESTABLISHING RELATIONS WITH ISRAEL. PRESENT FOREIGN MINIS-
TER OREJA HAS SAID HE INTENDS TO CONTINUE FOREIGN POLICY OF
PREDECESSOR BUT HAS NOT SPECIFICALLY MENTIONED ISRAEL.
WHILE ISRAEL INCIDENT MAY BE A FACTOR IN POSSIBLE DISMISSAL
OF CORONEL DE PALMA, IT IS MORE LIKELY THAT DESIRE OF
SUAREZ AND OSORIO TO HAVE KEY ECONOMIC POSTS FILLED BY THEIR
OWN TEAM IS A MORE IMPORTANT CONSIDERATION.
STABLER

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